



DEVELOPING YOUR SPENDING PLAN

“Financial Readiness Means Mission Readiness”



Agenda

- ▶ **Financial Plan vs. Business Plan**
- ▶ **Developing a financial plan**
- ▶ **Using the Financial Planning Worksheet**
- ▶ **Setting goals**
- ▶ **Purpose of Financial Planning**



Motivation

- ▶ **The purpose of a spending plan is to maximize your financial resources, develop a savings plan, and achieve the things you want from life.**



A Plan Is:

- ▶ **A guide and servant - not master**
- ▶ **Personal and unique**
- ▶ **Practical and realistic**
- ▶ **Flexible**
- ▶ **For pleasures and necessities**

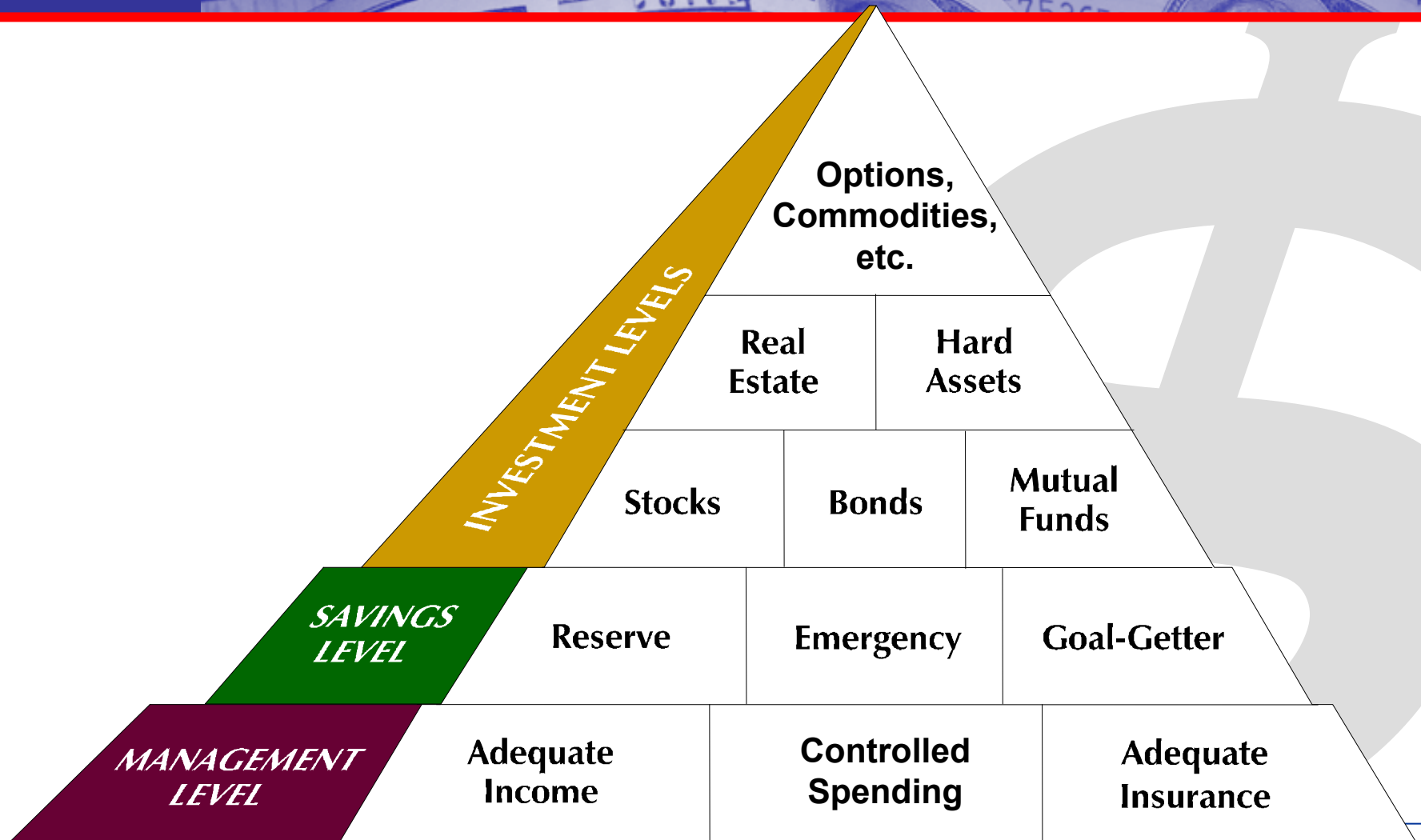


Planning Will Help You:

- ▶ **Live within your means**
- ▶ **Realize goals**
- ▶ **Maintain good credit history**
- ▶ **Get more for your money**
- ▶ **Reduce financial stress**
- ▶ **Achieve confidence**



The Financial Planning Pyramid





Critical Areas

- ▶ **Income**
- ▶ **Family/personal expenses**
- ▶ **Indebtedness**
- ▶ **Savings/profit**



Develop a Personal Financial Plan



Date _____ SSN _____ Grade _____
 Name _____ Age _____
 Pay Grade _____ Yrs. in Svc. _____ Date Arrived Station/RNLTD (Transfer) _____
 Marital Status _____ Spouse's Name _____ Age _____
 Spouse's Place of Employment _____
 Number of Children and Ages _____
 Home Address _____

 Work Telephone _____ Home Telephone _____
 Command & Referred By (Self, Unit, AFAS, FSC, Etc.) _____
 Amount of SGLI Elected _____ Amount of FSGLI Elected _____
 TSP Monthly Contribution _____ MGIB Monthly Contribution _____

STATEMENT OF NET WORTH

ASSETS

Cash on hand \$ _____
 Checking accounts \$ _____
 Savings accounts \$ _____
 Certificates of Deposit \$ _____
 Cash value of Life Insurance \$ _____
 U.S. Savings Bonds \$ _____
 Mutual Funds/Money Market \$ _____
 Stocks/Bonds \$ _____
 College Funds \$ _____
 401(k)/403(b)/TSP \$ _____
 Other (IRAs, etc.) \$ _____
 Real Estate (Market Value) \$ _____
 Home \$ _____
 Rental Property \$ _____
 Other (Vac Home/Trailer/Time Share) \$ _____
 Personal Property \$ _____
 Vehicles/Motorcycles/Boats \$ _____
 Furniture \$ _____
 Jewelry \$ _____
 Other (Collectibles, etc.) \$ _____

LIABILITIES

Signature Loans \$ _____
 Auto Loans or Leases \$ _____
 Consolidation Loans \$ _____
 Student Loans \$ _____
 AAFES (Star Card) \$ _____
 Department Store Credit Cards \$ _____
 Other Credit Cards \$ _____
 AFAS (Loan) \$ _____
 Other (Friends, Relatives, etc.) \$ _____
 Advance/Over Payments \$ _____
 Mortgages-Balances Due \$ _____
 Home \$ _____
 Rental Property \$ _____
 Other (Vac Home/Trailer/Time Share) \$ _____

TOTAL ASSETS \$ _____

TOTAL LIABILITIES \$ _____

NET WORTH
(Assets - Liabilities) \$ _____

Counseling Provided By: _____
 Counselor Phone #: _____
 Appointment Date: _____ Time: _____
 Place: _____



Ideal Breakdown Total Net Income

- ▶ **70% Family/personal expenses**
- ▶ **20% Indebtedness**
- ▶ **10% Savings**





Debt-to-Income Ratio

- ▶ **Total of all monthly debt payments divided by net monthly income (not including mortgage)**

<15%

OK to add credit (with caution)

15 - 20%

Fully extended

21-30%

Overextended

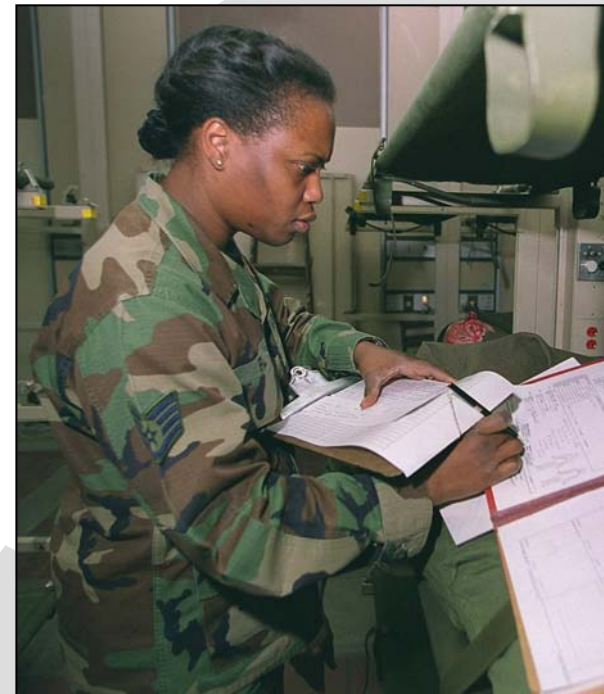
>30%

Seek help immediately



Options

- ▶ **Decrease living expenses**
- ▶ **Increase income**
- ▶ **Decrease indebtedness**





Setting Financial Goals

- ▶ **Be SMART - Write it down**
 - ▶ **Specific**
 - ▶ **Measurable**
 - ▶ **Action-oriented**
 - ▶ **Realistic**
 - ▶ **Time & Cost Constrained**



Goal Setting

GOOD

I want to have \$1M
in assets by age 65
and will invest \$166
per month to get
there

BAD

I want to
be rich



What is a Spending Plan?

- ▶ Paycheck-by-paycheck breakdown of how bills get paid.





Track Expenses

- ▶ **Monthly spending record**
 - ▶ Record expenses daily
 - ▶ Identify expenditure purpose
 - ▶ Total monthly expenses for each category



Pay Off of Tracking Expenses

- ▶ **Provides actual figures to use in setting-up a financial plan**
- ▶ **Allows for adjustment of expenses as necessary to fit your budget**



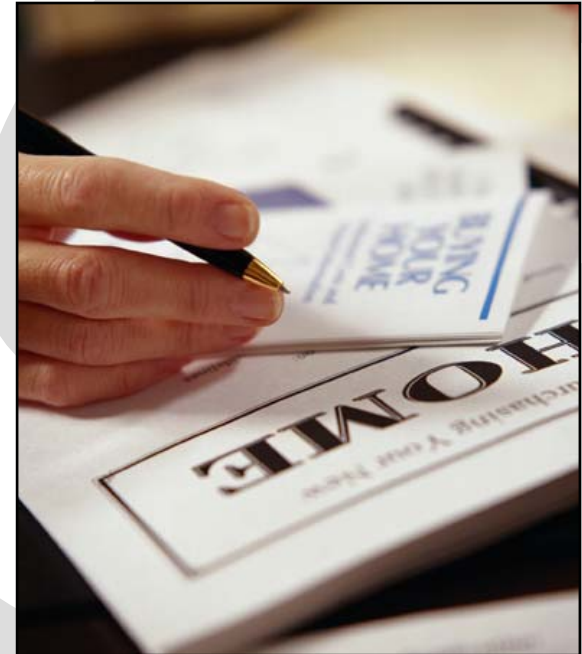
Sources of Help

- ▶ **Your First Sergeant**
- ▶ **Your Unit Financial Specialist**
- ▶ **Family Support Center**
- ▶ **Air Force Aid Society**
- ▶ **Bank or Credit Union Financial Counselors**
- ▶ **Consumer Credit Counseling Services**



When to Start a Financial Plan

- ▶ **Today!**
- ▶ **Review and revise after the first month**
- ▶ **Review with major life changes**





Review Questions

- ▶ Name the four critical areas of the Financial Planning Worksheet
- ▶ What are three ways any budget can be improved?
- ▶ Name a source of help for indebtedness



Review Questions

- ▶ Name a type of initial savings plan
- ▶ Name a source to assist with this budget plan
- ▶ What is the ratio breakdown for net income?
- ▶ What is one goal you will achieve after this class?